



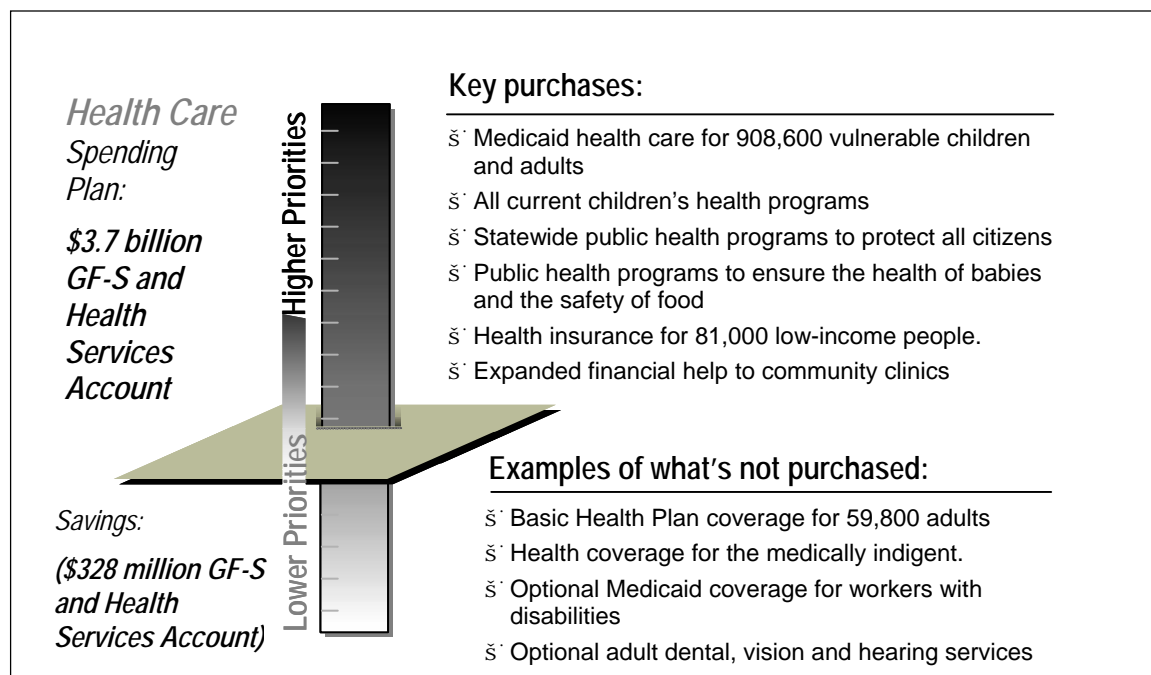
# Maintaining the Health of Washington's Children

These are challenging times for anyone who buys health care. Health care costs continue to rise at more than five times the general inflation rate. In the next two years, the state faces a \$550 million increase in the cost of maintaining current Medicaid and Basic Health Plan services for low-income Washington residents.

Governor Locke's health care budget provides medical services for hundreds of thousands of Washington residents who otherwise could not afford to go the doctor. His plan recognizes the front-line role that the state's public health system plays in preventing and controlling outbreaks of disease. And it maintains all current health care programs for children, provides a safety net for the most vulnerable adults, but reduces Basic Health Plan coverage for certain categories of adults – so those most in need can be served.

## Funding Priorities: How they stack up

The Governor addresses a huge budget deficit by purchasing only those health care services most needed by citizens. He does not purchase services that, while still considered valuable, have been identified as lower priority. The following chart identifies key health care purchases within the Governor's total state health care spending plan. Examples of what is not purchased also are included.





## The Governor's Plan Buys:

### **Public health programs and statewide networks**

to protect a population of 6 million people. Programs include communicable disease control, emergency preparedness and response, food and drinking water safety, shellfish programs, the Public Health Laboratory, and maternal and child health. Infrastructure maintenance includes direct grants to the 34 local public health jurisdictions serving Washington's 39 counties. Accountability for the grants is achieved through a contract using the Public Health Standards as a way to measure success in getting results. *\$127 million GF-State, \$621 million other funds*

**Investments in preventative programs** including expansion of the newborn screening program to add five disorders to the current blood test and new hearing tests. These programs allow for early identification and intervention of treatable disorders, improving the health of affected children. Further investments are made in food safety to increase training, increase prevention-oriented activities and develop a comprehensive food security (bio-security) plan. *\$1.2 million GF-State, \$600,000 federal*

**Medicaid health care to 704,671 Washington citizens** for whom Medicaid services are required under federal law. These are the most vulnerable citizens of our state who – because of income, age, or disability – require help with health care. For every dollar spent by the state for Medicaid, the federal government contributes an additional dollar. *\$2.3 billion GF-State, \$345 million Health Services Account-State, \$2.6 billion federal*

**Non-mandatory Medicaid health care to 204,000** other vulnerable Washington citizens, such as lower-income aged, blind or disabled individuals, women with breast or cervical cancer, and children. *\$149 million GF-State, \$85 million GF-Local, \$814 million GF-Federal, \$279 million Health Services Account*

**Continued insurance coverage for all 21,424 children and 59,399 parents** currently covered under the state's Basic Health Plan. *\$319 million Health Services Account-State*

**A health care safety net** with expanded grants to nonprofit community clinics for basic medical care for people living below 200 percent of poverty and who have no other coverage such as Medicaid or Basic Health. Increasing the current state grant by \$22 million will allow 42,500 additional people to be served in these settings. *\$41 million Health Services Account*

### *Governor Locke's Goals for **Public Health***

- ' · Maintain and improve the state's public health system
- ' · Preserve health care coverage for the state's most vulnerable and needy people
- ' · Shore up the safety net to help those who will lose health insurance coverage

## Squeezing every health care dollar

The Governor's proposal calls for more efficiencies and cost-saving activities to stretch state dollars available for health care. They include:

**Implementing a Prescription Drug Purchasing Project.** Three state agencies that engage in major prescription drug purchasing will develop a preferred drug list and consolidate their purchasing where possible. The three agencies are the Medical Assistance Administration, Health Care Authority and Department of Labor and Industries. Savings will be gained by purchasing drugs that are proven to be the most cost-effective. The project will strengthen interagency collaboration, put a greater focus on evidence-based health care and strengthen the state's purchasing power. *Saves \$24 million GF-State, \$23 million federal, \$8 million Medical Aid Account-State, \$3 million in various other accounts.*

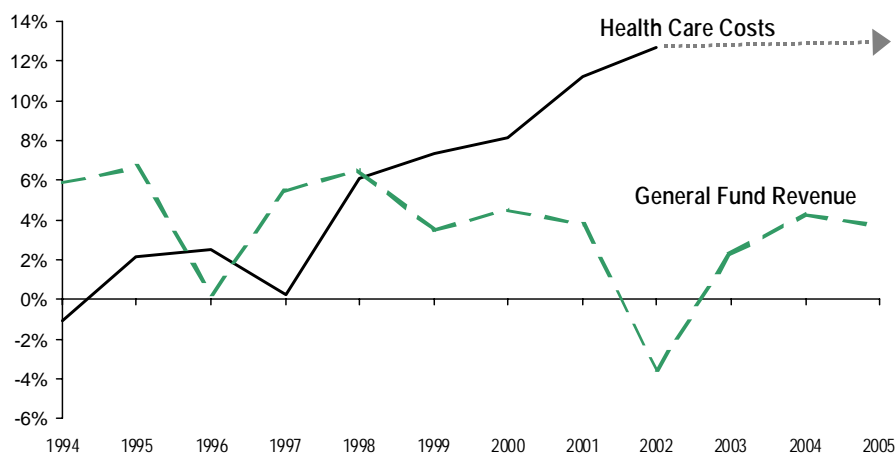
**Applying more controls to Medicaid eligibility.** Eligibility for Medicaid health care benefits will be reviewed every six months rather than every year. Further, the enrollment process will be aligned more closely with the Basic Health Plan's requirements, including the need for proof of income eligibility. *Saves \$10 million GF-State, \$23 million federal, \$13 million Health Services Account.*

**Tying increases in Managed Care rates to the state's cost of living index.** The rates the state pays for managed care health coverage have historically been higher than the inflation rate. The most recent managed care rate increase was 8.9 percent. In the coming biennium, those increases will be tied to the Seattle Consumer Price Index, a measure of the local cost of living, and will apply both to the Medicaid and the Basic Health programs. *Saves \$28 million GF-State, \$53 million federal, \$35 million Health Services Account*

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## Cost of Health Care Coverage Outpaces State Revenue

*Percent Change in Per Capita Health Care Costs Compared with General Fund Revenue*



SOURCE: Office of Financial Management

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**Amending Initiative 773** to use its new cigarette tax revenue – originally intended to expand the state’s Basic Health Plan for working families – to instead minimize enrollment reductions now necessary to simply sustain the health insurance program. *\$219 million Health Services Account*

**Implementing the Long-Term Care Health Management Project.** Provides more up-front preventive health care in nursing homes to avoid costly hospitalizations, unnecessary medical tests and other expensive medical interventions. *Saves \$6 million GF-State, \$6 million federal*

## **Making difficult choices with limited health care funds**

Governor Locke proposes spending limited funds on the most vulnerable citizens first – children and adults who are most in need. This means it is necessary to eliminate:

- €# Insurance coverage for all 59,753 childless adults currently covered under the state’s Basic Health Plan. *Saves \$274 million Health Services Account-State*
- €# The medically indigent program, affecting 4,242 individuals. While this translates to a greater burden of uncompensated care on hospitals and doctors, \$40 million in the Disproportionate Share Hospital program will be available to mitigate the impact on those providers who serve uninsured residents. *Saves \$81 million GF-State, \$54 million federal*
- €# Optional hearing, dental and optical benefits for adults otherwise covered by Medicaid. This aligns adult Medicaid coverage more closely with adult coverage in the Basic Health program and enables more people to keep some insurance. *Saves \$52 million GF-State, \$50 million federal*
- €# Optional Medicaid coverage to workers with disabilities. This program, begun in February 2002, provides Medicaid benefits to Washington residents who are age 16 through 64, meet federal disability requirements, are employed (including self-employment) full or part time, and have monthly gross income at or below 450 percent of the federal poverty level. *Saves \$1.5 million Health Services Account, \$1.5 million federal*